

**DEPARTMENT OF DEFENSE SUPPLEMENT TO THE GOVERNMENT-WIDE
REPORT ON IMPLEMENTATION OF PUBLIC LAW 106-107**

I. BACKGROUND

This is the Department of Defense (DoD) supplement to the 2004 government-wide progress report (Enclosure 1) on the implementation of the Federal Financial Assistance Management Improvement Act of 1999 (P. L 106-107 or the “Act”). This supplement summarizes DOD’s activities—within DoD and in interagency forums—in support of efforts to streamline and simplify the award and administration of Federal financial assistance.

In Fiscal Year (FY) 2003, DoD awarding activities obligated \$3.1 billion for assistance instruments under more than 9,000 actions. More than 80 percent of the actions and nearly two-thirds of the funding were for research grants and agreements, with most of the remaining dollars and actions being for cooperative agreements between the National Guard Bureau and State military departments.

**II. PARTICIPATION IN THE GOVERNMENT-WIDE STREAMLINING
AND GRANTS.GOV EFFORTS**

DoD has a great interest in streamlining Federal policies and procedures for the award and administration of assistance transactions. By eliminating unnecessary burdens on recipients of DoD assistance instruments, primarily defense researchers, streamlining promises to increase research productivity, thereby generating more technology in support of national defense.

DoD has therefore participated extensively in the interagency activities related to P.L. 106-107 since their inception in the summer of Calendar Year 2000 and in interagency activities targeted to streamline research administration, such as the Federal Demonstration Partnership. We are one of the partners for the Grants.gov initiative, with representation on the Grants.gov Executive Board (now the Grants Executive Board as indicated in Enclosure 1 of this report). This past year, we have become actively involved with two new groups. We are participating in the Grants Management Line of Business (GMLoB) Task Force and are very active in the work of the Research Business Models Subcommittee of the Committee on Science, National Science and Technology Council.

Our representation on these includes Executive level and other senior staff in the Office of the Secretary of Defense (OSD) and the Military Departments. We lead or co-chair three of the P. L.106-107 interagency groups whose accomplishments are detailed in the government-wide report (Enclosure 1)—specifically, personnel from OSD and the Office of Naval Research chair the Pre-Award Work Group, the Personal Property Reporting Team under the Post-Award Work Group, and the Office of Management and Budget (OMB) Circular A-133 Audits and Indirect Cost Rates Subgroup under the Audit Oversight Work Group, which was responsible for the changes to the 2004 OMB Circular

A-133 Compliance Supplement reported in Enclosure 1 to this report. DoD also participated on the OMB Cost Consistency Team, which was responsible for ensuring that the cost items under three OMB cost circulars were expressed in consistent language. In addition, the DoD Office of the Inspector General (OIG) participates in the following subgroups under the Audit Oversight Work Group: OMB Circular A-133 Audits and Indirect Cost Rates; the Single Audit Users Group; and the OMB Circular A-133 Single Audit Compliance Supplement Core Team. The DoD OIG also participates in the national audit-sampling project to evaluate the quality of single audits.

III. INTERNAL DoD EFFORTS TO CREATE AN ENVIRONMENT CONDUCTIVE TO GRANTS STREAMLINING AND SIMPLIFICATION AND ASSESS IMPACT OF CHANGES

A. General Approach

In parallel with our participation in the government-wide groups, we use internal work groups within DoD to vet the government-wide proposals and share ideas and best practices. One work group for grants and agreements policy and another for electronic business processes related to Grants.gov (and now the GMLoB) keep affected offices informed of planned and pending activities; vet government-wide and DoD proposals; and discuss implications for DoD awarding and administering activities. Our awarding and administering offices also award and administer contracts and other procurement instruments; therefore, we must ensure that our policies are clear and that our internal systems, which are designed primarily to support our procurement activity, will support changes in grants and agreements resulting from P.L. 106-107 and Grants.gov. We rely on the expertise of these groups to help evaluate the impact of government-wide proposals on DoD operations and systems as well as to develop plans on how best to incorporate new requirements.

We also must ensure that our assistance agreements staff members are aware of the changes resulting from P.L. 106-107 and Grants.gov, their applicability, and their implementation by DoD. As one means of outreach, pending completion of our regulatory changes (see below), we have used the various *Federal Register* notices cited in Enclosure 1 to this report as training material in our grants and agreements training curriculum.

B. DoD's Business Management Modernization Program

This year DoD began to actively implement its Business Management Modernization Program (BMMP), an agency-wide initiative to reengineer the business processes and identify the information requirements necessary to implement a modern integrated business environment that supports our mission. The BMMP is an effort to integrate financial management and business operations into a joint Defense Department business enterprise. The BMMP covers all DoD administrative functions, including grants and agreements administration. To this point the BMMP has developed a high-level process framework, consisting of 17 macro processes that provide a business perspective on DoD

operations. These process models form the baseline for developing the Department's "To-Be" vision. Fundamental similarities in core DoD business management functions across the Services and Defense Agencies make business enterprise architecture development critical. Business process and systems integration will result in increased efficiencies, elimination of redundant activities and systems, and improved decision-making capabilities. For grants and agreements, this activity parallels the interagency efforts under the GMLoB and will inform our efforts to participate in the government-wide activity.

IV. IMPLEMENTING THE RECENT CHANGES AFFECTING THE PRE-AWARD PROCESS

A. Grants.gov FIND

The DoD Director of Research and Engineering (DDR&E) issued a memorandum to the Heads of the DoD Services and Agencies' awarding activities requiring compliance with the requirement to post synopses of competing funding opportunities at Grants.gov FIND using standard data elements. We generally use Broad Agency Announcements (BAAs) as the means of advising the public of the availability of DoD research funds and to invite proposals. Many of our BAAs can result in the award of contracts as well as grants, cooperative agreements, and other transactions. Therefore, to serve our different constituencies, the memorandum reminded the awarding activities that they must post synopses of those BAAs on both FedBizOpps, the acquisition site, and on Grants.gov. Our five largest awarding activities, which account for most of our research BAAs, are posting 100 percent of those solicitations at Grants.gov FIND.

B. Announcement Template

The DDR&E issued a similar memorandum concerning use of the announcement format. We have adopted the standard announcement format, which by its terms applies to financial assistance funding opportunities. As noted above, many of our BAAs may result in the award of contracts, grants, or cooperative agreements. Even though they may result in contracts, we have adopted the financial assistance template for these BAAs to provide a single BAA look for our potential applicants.

Our proposed rule to implement the Grants.gov FIND and announcement template requirements (see below) in the DoD Grant and Agreement Regulations was published on July 28, 2004. The comment period closes on September 27, 2004.

C. The Grants.gov Portal for Electronic Applications

DoD was an active participant in developing the standard data elements for research and related activities. We also are participating in the Mandatory Grants Work Group effort to develop standard data elements because the National Guard Bureau's cooperative agreements are in this category of assistance. DoD is currently in the process of setting a standard for e-authentication (pertinent to electronic signatures) for use in all of its

automated systems. We will work with the Grants.gov Program Management Office to ensure that we can meet both Grants.gov and DoD requirements. Once the authentication standard is addressed we are prepared to receive our research proposals (whether they may result in a grant, cooperative agreement, or contract award) through Grants.gov
APPLY.